GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1991
ANSWERED ON:31.07.2015
Sluggish Reform Momentum
Kamal Nath Shri ;Scindia Shri Jyotiraditya Madhavrao

Will the Minister of FINANCE be pleased to state:

(a) Whether global credit rating firm Moody's has flagged growing concerns about the risk of policy stagnation and sluggish reform momentum in India;
(b) If so, the details thereof along with the effect on rural economy; and
(c) The reaction of the Government thereon and the steps taken by the Government in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI JAYANT SINHA)

a) Yes Madam.
b) Moody's Investor Service has released a report titled "Inside India" on 30th June 2015. The Report, on the basis of an audience poll of 141 participants of the first annual Moody's and ICRA Credit Rating Conference held in Mumbai in May 2015, stated that "almost half our audience believing that sluggish reform momentum represents the greatest risk to India's macroeconomic story going forward".
On the rural economy, the Report says that "India's rural economy has weakened considerably in recent quarters on the back of slower income growth, and we expect rural demand to remain subdued throughout the fiscal year ending March 2016 (FY2016), particularly if the risk of below-average monsoon rainfall materializes. A sustained soft patch for India's rural economy would weigh on private consumption and non-performing assets in the agriculture sector, a credit negative for the sovereign and banks."
However, the Report also states that India's policies like Make in India; increased FDI in defense, railways and insurance; Inflation targeting framework; expenditure management reforms are all positives reforms and the positive impact of these reforms is only likely to take full effect over a multi-year horizon.

(c) TheGovernment has undertaken several measures aimed at achieving macroeconomic stability and growth in India. Emphasis has been laid on controlling inflation and fiscal deficit as well as significantly augmenting public investment in infrastructure with an aim to revive the investment cycle.

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